

Capital Project for Constructing the Upper Quad Residential Facilities

JOINT FINANCE AND AUDIT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

July 17, 2013

In March 2013, the Board of Visitors approved a \$5.85 million planning authorization for the Upper Quad Residential Facilities project. The project is in the preliminary design phase and will be ready to enter the demolition and construction phase this fall. The designed solution replaces the existing four facilities: Rasche Hall, Brodie Hall, Thomas Hall, and Monteith Hall with two modern residence halls.

The two new residence halls will replace the existing inventory and each building is envisioned to be approximately 97,000 gross square feet. The proposed implementation strategy for the project is a three phase approach. The first phase involves razing and replacing Rasche with a modern five story residence hall. The second phase involves razing and replacing Brodie with a modern five story residence hall. The final phase involves razing Monteith and Thomas. At the end of the project, the two new residential facilities replace the existing bed inventory with modern space.

As with all self-supporting projects, the university has developed a financing plan to support the project. The university worked conjointly with the residential program to develop a long range financial model to support new debt service on this project and other residential program costs within the university's six-year operating plan. This funding plan calls for the use of debt which will be serviced from revenue generated by student fees charged by the residential programs auxiliary enterprise. The total project funding is \$90 million and the plan is sufficient to cover this amount. Any cash designated for the project accumulated prior to the issuance of permanent debt may be used directly for project costs and to lower the total debt issuance.

Under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has the authority to approve the budget, size, scope, debt issuance, and overall funding of nongeneral fund capital outlay projects. This request is for an \$84.15 million authorization supplement to raze the existing four buildings and construct two new residence halls for the Upper Quad Residential Facilities project. The total project budget will be \$90 million.

RESOLUTION ON CAPITAL PROJECT FOR CONSTRUCTING THE UPPER QUAD RESIDENTIAL FACILITIES

WHEREAS, the Board of Visitors approved a \$5.85 million planning authorization for the Upper Quad Residential Facilities project in March 2013; and,

WHEREAS, the project scope is to raze four existing residence halls and replace the bed inventory with two new modern residence halls, inclusive of design, demolition, sitework, construction, equipment, and infrastructure necessary to support these facilities; and,

WHEREAS, the project is in the preliminary design phase and will be ready to enter the demolition and construction phase in fall 2013; and,

WHEREAS, the total project budget is \$90 million, including this supplemental request of \$84.15 million; and,

WHEREAS, the university has developed a 100 percent nongeneral fund resource plan for the project; and,

WHEREAS, the Finance and Audit Committee will further review and approve a financing resolution prior to securing permanent financing for the debt component of the project plus amounts needed to fund issuance costs, reserve funds, and other financing expenses; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the university has the authority to issue bonds, notes or other obligations that do not constitute state tax supported debt; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has authority to approve the budget, size, scope, debt issuance, and overall funding of nongeneral funded major capital outlay projects; and,

WHEREAS, the university may address minor cost variances provided sufficient funds are available to support the full project costs;

NOW, THEREFORE BE IT RESOLVED, that the university be authorized to move forward with an \$84.15 million authorization supplement for demolition and construction of the Upper Quad Residential Facilities project and to secure temporary short-term financing through any borrowing mechanism that prior to such borrowing has been approved by the Board, as applicable, in an aggregate principal amount not to exceed the \$90 million total project costs, plus related issuance costs and financing expenses.

RECOMMENDATION:

That the resolution authorizing Virginia Tech to design and construct the Upper Quad Residential Facilities project be approved.

September 9, 2013